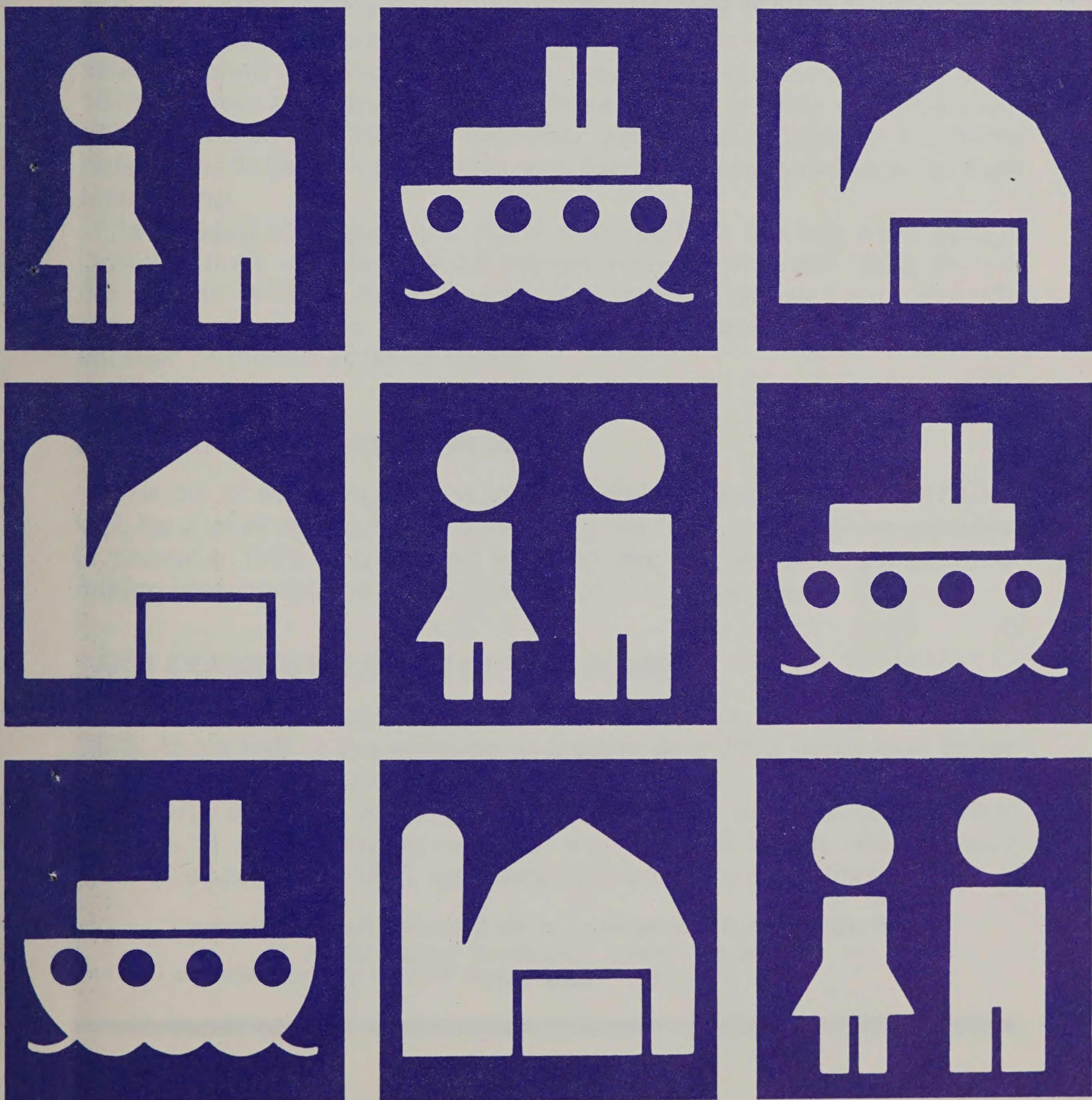
WHAT FARM EXPORTS MEAN TO YOU

U.S. INTERNATIONAL AGRICULTURAL TRADE: ITS GROWING IMPORTANCE TO THE NATION'S ECONOMY

UNITED STATES DEPARTMENT OF AGRICULTURE • OFFICE OF COMMUNICATION



CONTENTS

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FARM EXPORTS STRENGTHEN THE FARM COMMUNITY

Agricultural exports make a big difference in the lives of American farmers, and have a direct effect on U.S. industry and the economic well-being of everyone in this nation.

Farm exports take the production from one crop acre out of four. These exports make jobs for people in scores of U.S. industries, and increase the paychecks and the purchasing power of many American consumers. Farm exports improve our U.S. balance of payments by making up for big deficits in industrial trade. Farm exports strengthen the dollar so that it buys more of the goods we import. Farm exports help cut the costs of producing food. By bringing farmers larger markets and more farm income, farm exports reduce the need for Government farm programs, thus helping hold down your tax bill.

FARM EXPORTS INCREASE FARM PRODUCTION

In fiscal 1973,* U.S. agricultural exports took the production of 85 million acres of cropland—up from the 62 million acres in 1972. Export sales climbed to record levels for most farm commodities. In fiscal 1973, farmers exported more than three-fourths of their wheat production, more than two-thirds of their rice, half of their soybeans and cattle hides, two-fifths of their cotton and tobacco, and one-fourth of their feed grains.

As a result of larger agricultural exports, U.S. farmers were able to increase their cropland by 28 million acres in calendar 1973 without the drop in farmers' income which has so often followed such production increases in the past. Farmers are increasing their cropland by another 17 million acres in 1974.

FARM EXPORTS MAKE FARM JOBS

One out of every eight farm jobs depends on exports. About 479,000 U.S. farm workers worked at producing the farm commodities exported in calendar 1972. If it weren't for farm exports, these nearly one-half million farm people could be looking for jobs elsewhere.

FARM EXPORTS INCREASE FARM INCOME

Farmers had a record realized net income from farming in calendar 1973. About half of the increase in income over 1972 came from larger U.S. agricultural exports.

In 1973, about $1 in $5 of total farm income came from U.S. farm exports. In short, farm exports put well over $5 billion into the agricultural economy in 1973, substantially above the $3 billion in 1972.

* All years are fiscal years (July 1-June 30) except where otherwise noted.

FARM EXPORTS PEP UP THE NONFARM COMMUNITY

FARM EXPORTS MAKE WAVES IN THE ECONOMY

The increase in U.S. farm exports benefits other parts of the economy. For example, every $1 increase in exports of feed grains, wheat, rice, and oilseeds creates another 90 cents of output—such as in transportation, financing, warehousing, and supplying farmers with fertilizer, machinery, and other goods. Thus, the $5 billion increase in U.S. agricultural exports in 1973 added another $4.5 billion of income to the rest of the economy. Economists call this the "multiplier effect." It's like dropping a pebble in a pool. Increased output in one part of the economy sends a series of widening ripples throughout the rest of the economy.

When you add it all up, farm exports generated about $29 billion worth of income in 1973. Of this, about $12 billion came from the farming sector; the remaining $17 billion came from nonagricultural industries. Food processing alone received nearly $5 billion of additional income from enlarged agricultural exports. Income generated in transportation and warehousing amounted to $1.7 billion; in wholesaling and retailing it amounted to about $1.8 billion.

FARM EXPORTS MAKE NONFARM JOBS

In 1973 more than 450,000 people had jobs assembling, processing, and distributing agricultural exports. Some examples: 120,000 people had jobs in wholesale and retail trades, 42,000 in food processing; and 43,000 in transportation and warehousing.

As another example, about 2,000 people in the agricultural chemical industry have jobs supplying farmers with the chemicals to raise farm products for export.

FARM EXPORTS BOOST BUYING

Farmers are buying more products from industry as a result of increased agricultural exports. Farmers are buying more household appliances, farm equipment, building supplies, and other capital goods and consumer items. This increased buying by farmers as a result of farm exports spreads more purchasing power throughout the entire economy. Farmers spent a fifth more on tractors in 1973 than in 1972, which made more jobs and bigger pay checks for workers who make steel, rubber, spark plugs, plastics, electronic gear, ball bearings, screw bolts, and a host of other products. The backlog of orders for hopper cars to haul grain for export jumped from 3,300 cars in 1972, to 15,200 in 1973. These are just two examples of what happens when farm exports boost farm income and the buying that farmers do.

FARM EXPORTS BENEFIT THE CONSUMER

FARM EXPORTS CUT TAXES

Increased farm exports have brought a sharp reduction in the cost of Government farm programs. That means lower tax costs to the taxpayer.

Government farm program payments to farmers will cost less than $500 million in calendar 1974—that's down from $2.6 billion in calendar 1973 and $4 billion in calendar 1972. Storage costs for surplus farm commodities have dropped too. In 1973, storage and handling costs of farm products held by the Government fell to $69 million—down sharply from $120 million in 1972 and $476 million in 1960.

FARM EXPORTS PAY FOR CONSUMER IMPORTS

The U.S. balance of payments makes a real difference to you. This "balance of payments" is the dollar difference between how much we *buy* from overseas and how much we *sell* overseas.

It's as simple as this: In order to buy the things we want from overseas, we have to sell overseas to get the money to buy. It's the same as in your own personal finances; you have to have an income before you can buy. Nations have to sell in order to buy.

If you buy more than you make, you go in debt. The more debt you have, the shakier your own finances are. After awhile, your credit isn't as good. The same applies to the United States. If we buy more overseas than we sell, we have a negative "balance of payments." If that gets too big, our dollar gets "shaky" in the international market. After awhile, it won't buy as much overseas; foreign markets "lose faith" in the value of the dollar.

When we go shopping, we increasingly shop in the foreign market. We dine on Polish hams, garnished with Spanish vegetables and washed down with French wine. Before going out the door we pull on a British sweater, then jump into a German car, ride on tires made from Malaysian rubber, and fill the tank with Arabian oil. When we get where we are going, we take pictures with a Japanese camera. At the end of the day, we may light up some Turkish tobacco, put on our Italian slippers, and turn on the Hi-Fi made in Taiwan. If we stop to think about it, we may even wonder how, as a Nation, we will pay for these imports.

This is where the balance of payments comes in and where agricultural exports help out.

When the value of what we import is greater than the value of what we export, the deficit saps the strength of the U.S. dollar in foreign markets. As the deficit grows, the value of the dollar weakens and it takes more dollars to buy foreign products. That creates problems for the American consumer.

Conversely, a favorable balance of payments makes more stable retail prices for the American consumer.

U.S. farm exports have been making a much bigger contribution to the Nation's balance of payments in recent years. U.S. imports of non-agricultural goods have been expanding faster than our exports of such goods, creating deeper and deeper deficits in nonfarm trade. But U.S. farm exports have been increasing much faster than food imports, creating a favorable balance in food trade.

In 1971, U.S. farm exports turned a potential $991 million balance of payments deficit in total U.S. trade into a $939 million favorable balance of payments. In 1972, U.S. overseas farm sales reduced a huge $7 billion deficit by 28 percent. In 1973, agricultural exports made a recordbreaking contribution of $5.6 billion net to the balance of payments; the nonagricultural sector turned in a $9.1 billion deficit. In 1974, farm exports will contribute more than $9 billion net.

Between 1963 and 1973, agricultural exports have made a total net contribution to the Nation's balance of payments of $22.9 billion—roughly 5 times greater than the net contribution of nonfarm exports.

U.S. agricultural exports in 1974 are expected to total $20 billion, sharply above the record of $12.9 billion set only one year earlier. Much of the increase will stem from higher world prices; however, the overall volume of farm exports is expected to exceed last year's record of 101 million short tons by about 2 million tons.

Table 1.—Agriculture's contribution to the U.S. balance of payments (BOP) fiscal years 1963 and 1970-73 (in million dollars)

Item	1963	1970	1971	1972	1973	1974[1]
Agricultural exports	5,078	6,719	7,758	8,047	12,894	19,870
Agricultural imports	3,907	5,592	5,828	6,048	7,323	8,626
Net contribution to BOP	1,171	1,127	1,930	1,999	5,571	11,244
Nonagricultural exports	16,560	34,340	35,905	36,801	44,942	55,090
Nonagricultural imports	12,491	32,627	36,896	44,008	54,041	63,670
Net contribution to BOP	4,069	1,713	−991	−7,207	−9,099	−8,580
Net balance of payments (Net agricultural contribution + net non-agricultural contribution)	5,240	2,840	939	−5,208	−3,528	2,664

[1] July-Dec. value times 2.

EXPORT BENEFITS VERSUS CONSUMER FOOD COSTS

U.S. agricultural exports provide substantial benefits to the national economy. But don't food exports raise food prices in the U.S.? And do the benefits offset the costs? Let's see.

In 1973, American consumers spent 8.3 percent—$10 billion—more on food than they did in 1972 ($130.8 billion compared with $120.8 billion). That is an increase of $43.13 for every man, woman, and child in the United States.

It isn't that individual Americans were buyng more food, but rather that they paid more for what they bought. Part of the increase can be attributed to the expanded sales of U.S. farm products overseas. Since world food supplies were somewhat tighter, and incomes were higher around the world, other nations bid increasingly higher prices for American agricultural commodities. U.S. incomes were higher, too, so consumers at home were bidding more.

U.S. Department of Agriculture economists estimate that between one-third and one-half of the increase in domestic food prices resulted from the rise in agricultural exports during 1973. In short, the economists believe that up to $5 billion (or $21.75 per person) of the increased consumer spending on food in 1973 was the result of the Nation's expanded farm exports.

However, this increase in domestic food costs was more than cancelled out by money pouring back into the economy, with the following dollar benefits:

$4.5 billion of additional cash output in the nonfarm business sector
$2.3 billion of additional gross farm product
$2.0 billion decline in Government spending on farm programs

Consequently, the total measurable dollar contribution to the national economy amounted to as much as $8.8 billion, or $44.00 per person—which not only offset the $21.75 export-related increase in the domestic food bill, but left a profit of $22.63 per person as well.

Besides, farm exports, which strengthened the balance of payments and the value of the dollar, enabled our export dollars to buy considerably more foreign goods. The higher rate of output on American farms also meant lower per-unit production costs for that 80 percent of our food that is consumed here at home.

Food exports in the last few years have provided the basis for opening up trade with the Soviet Union and the People's Republic of China, with a resulting easing of tensions and conflict. That, in terms of peace and savings in national defense, may be the greatest contribution of all.

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